

A Touchstone Energy Cooperative

September 11, 2003

Mr. Thomas Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-4615

FILED OCT 16 2003 PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE COMMISSION

Dear Mr. Dorman:

Case 2003-00353

Enclosed you will find an original and ten (10) copies of the cooperative's filing for a Certificate of Public Convenience and Necessity for the construction of a new headquarters facility and service facility addition. This in compliance with 807 KAR 5:001, Section 9, of the Rules of Procedure.

The Cooperative's Board of Directors approved the construction of the new facilities at an August 25th, 2003 board meeting. The decision was the result of a careful review process that had taken place since January of 2003.

The new facility is proposed to be constructed on our current eighteen-acre tract of land at 1009 Hustonville Road in Danville, thus requiring no land purchase. Pending review and approval by the Commission, we would like to begin construction in March 2004.

Our architectural and engineering consultants, CDS Associates, have advised us that if we can stay on our currently planned schedule, the bidding process can be completed in February 2004, which creates the tremendous advantage of a favorable bidding climate, more preferred contractors and possible cost savings. An additional construction benefit of our current scheduling is to enable us to enclose the building prior to the winter months thus allowing interior finishing during that time of year. We have attempted to comply with the Commission's need for complete information to consider our request, and would sincerely appreciate any assistance you may provide in accommodating our filing as expeditiously as possible.

Should you require further information, please let us know. Thank you.

Sincerely.

INTER-COUNTY ENERGY COOPERATIVE

James L. Jacobus President/CEO

Enclosures

WHEREFORE, Applicant asks that the Public Service Commission of the Commonwealth of Kentucky make its Order granting all necessary Certificates of Public Convenience and Necessity pursuant to KRS 289.020 in order for Applicant to construct the proposed headquarters and service center facility.

Dated at Danville, Kentucky this 11TH day of SEPTEMBER , 2003.

Inter-County Energy Cooperative

ames L. Jacobus President/CEO

I, James L. Jacobus, President and CEO of Inter-County Energy Cooperative, declare that the statements contained in this Application are true and correct to the best of my knowledge.

Subscribed and sworn to before me by James L. Jacobys, President and CEO of Inter-County Energy Cooperative, this //www day of september, 2003

Notary Public, State-at-Large
My Commission expires 12/16/05

BEFORE THE PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

In the Matter of the Application Of)		
Inter-County Energy Cooperative)	Case No.	
For an Order Issuing a Certificate of)		
Public Convenience and Necessity)		

APPLICATION

The petition of Inter-County Energy Cooperative respectfully shows:

- (a) That the applicant is engaged in the business of distributing and furnishing electric current to approximately 24,000 members in Central Kentucky in the Counties of Boyle, Casey, Garrard, Larue, Lincoln, Madison, Marion, Mercer, Nelson, Rockcastle, Taylor and Washington.
- (b) That the mailing address of Applicant is PO Box 87, Danville, KY 40423 and physical address of Applicant is 1009 Hustonville Rd. Danville, KY 40422.
- (c) That a copy of the Applicant's Articles of Incorporations and most recent amendments are enclosed.
- (d) That the Applicant's property consists of its headquarters office building and service center and storage yards in Danville, Kentucky, a branch office and service center in Lebanon, Kentucky and approximately 3,299 miles of distribution line and other related equipment and property in which there has been invested a total of \$65,022,907 as of July 31, 2003, which is considered Inter-County Energy's total utility plant. The net value of said plant after accumulated depreciation and amortization as of said date is \$52,547,303.
- (e) That the Applicant is a non-profit corporation without any capital stock.
- (f) That a summary of all Applicants' notes outstanding is being filed as a part of this application.

- (g) That Applicant proposes to construct a headquarters facility in Danville, Kentucky for the purpose of serving the administrative, customer service, engineering, operations, warehousing, and line construction needs for its service area.
- (h) That Applicant shall finance the proposed headquarters facility through the use of a Rural Utilities Services' guaranteed Federal Finance Bank loan with a term of 35 years. No rate increases will be necessary for the financing and construction of this facility. A long-term financial forecast was performed with the assistance of the Rural Utilities Service General Field Representative. A discussion of the planned financing is in Exhibit A Financing.
- (i) That the estimated cost of the proposed facilities will be approximately \$6,158,566.
- (j) That the estimated maintenance and operation costs of the new proposed facility will be \$193,217 annually.
- (k) That attached hereto and made a part of this Application are the following documents and copies:

Exhibit A Financing of the New Facility Exhibit B Detailed Cost Estimation of the Project Exhibit C Description of Current Facilities to be Replaced Exhibit D Balance Sheet as of July 31, 2003 Exhibit E Statement of Operations for 12 month period of August 1. 2002 – July 31, 2003 Exhibit F Notes Outstanding as of July 31, 2003 Exhibit G Estimated Cost of Maintenance and Operation of the Proposed Facilities, and Cost of Maintenance and Operation of the Current Facilities

Exhibit H Project Description, Floor Diagram, Site Plan and Location Map

Exhibit I Cooperative Articles of Incorporation and Bylaws as amended through May 21, 2001

EXHIBIT A

FINANCING OF THE NEW FACILITY

KEY ASSUMPTIONS IN FINANCIAL ANALYSIS OF NEW HEADQUARTERS OFFICE

- 1. Average revenue per kWh for 2002 is the basis for future revenues for each rate class.
- 2. A 1.50 TIER (times interest earned ratio) was selected as the basis for the study. Revenue increases were added to maintain this TIER.
- 3. G&T capital credits allocated by EKPC were not considered.
- 4. Variable interest rates were used for new loans. These rates were increased by 0.25% per year for the ten-year study.
- 5. General Funds usage for plant were maintained at approximately their current level.
- 6. Capital credits will continue to be paid to estates. The present amount is \$200,000 per year and is assumed to continue at that rate.
- 7. Operations, maintenance, customer accounts, depreciation, administrative and general expenses are projected from the historical averages of 2000-2002.
- 8. Plant expansion and plant retirement are a function of the averages of 2000-2002 and the present work plan.
- 9. Inter County Energy's Power Requirements Study projects a load growth of approximately 3.7%.
- 10. Purchased power costs are based on EKPC's forecast dated December 2000.
- 11. Non-operating margins are primarily the result of general funds investment.

FINANCING

The Cooperative plans to finance the construction of the facility through the Rural Utilities Service (RUS). The cost will be included in our current four-year general work plan which has been amended and filed with RUS in August of 2003. The funding of the work plan will be through RUS's Guaranteed Loan Program, financed by the Federal Finance Bank (FFB). RUS is aware of the cooperative's plan to include this project in our current work plan as the RUS Field Representative assisted with the preparation of the Work Plan Amendment.

Due to the favorable current variable-term lending rates, the cooperative plans to utilize Federal Finance Bank variable-term funds. As of September 8, 2003, the one-year FFB quarterly rates were at 0.96%. The cooperative intends to maintain the financing on a variable-term basis, while monitoring interest rate trends. FFB financing will give the cooperative the option of locking in a long-term rate should interest rates begin to rise.

Our long-term financial forecast projected no need for member rate increases due to the distribution operations, nor reduction in our current level of annual capital credit funds, as a result of the construction of the new facilities. A list of key assumptions and key results of the financial forecast are included on the following pages. Mr. Mike Norman, of the Rural Utilities Service assisted in the financial analysis for management and the board of directors.

Inter-County Energy Cooperative Corporation Comments Regarding "Comparison of Selected Financial Information"

Item 1: T.I.E.R. Goal

The computer program used to analyze the effect on the financial performance of Inter-County Energy requires a TIER goal. The program then uses that ratio to adjust operating parameters to meet the goal. It also calculates the effect of not making adjustments that will meet the goal. The adjustment that the program makes each year is to rates.

<u>Item 2</u>: T.I.E.R. Earned (without a rate increase)

The program will predict the effect on TIER by not implementing the annual rate adjustments. As can be seen in the projections, a rate increase is predicted in 2010 if there is no building and in 2008 if a building is constructed. This is the approximate time that TIER will fall below the RUS required level of 1.25.

Items 3 and 4: Operating Margins

The program predicts the effect on margins with similar constraints as noted in Items 1 and 2.

Items 5, 6, 7 and 8: Required Increases in Revenue, Required Increase per kWh (cents), Average Revenue per kWh (cents) and Percent Increase in Revenue. As in the above items, the program uses the 1.5 TIER as a basis for annual changes in revenue. The information contained in these items points out that the difference in the average price per kWh between the scenarios of not constructing a building and the planned construction is only 0.063 cents per kWh (6.532-6.469) in 2012.

Item 9: Interest on L.T.D.

This item displays the effect on projected long-term debt of the construction plans.

<u>Item 10</u>: **Equity Ratio**

This item lists a slight decrease in equity ratio of approximately 1.5%.

<u>Item 11</u>: **Debt Service Coverage**

Inter-County Energy will be able to service its debt adequately under either construction scenario.

Item 12 General Funds Available:

Inter-County Energy plans to continue using its General Funds in the most effective manner. General Funds will be used for all plant construction.

Inter-County Energy Cooperative Corporation Comparison of Selected Financial Information

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1 T.I.E.R. Goal		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
2 T.I.E.R. Earned (without rate increase)	No Building With Building difference	1.50 1.50 0.00	1.49 1.49 0.00	1.47 1.40 -0.07	1.45 1.32 -0.14	1.40 1.27 -0.13	1.37 1.24 -0.13	1.30 1.18 -0.12	1.27 1.15 -0.12	1.22 1.11 -0.11	1.17 1.07 -0.10
3 Oper. Margins (excl G&T + lender CC paid) with Rate Increase	No Building Building difference	642,470 642,470 0	671,698 671,698 0	712,882 750,382 37,500	755,374 837,874 82,500	808,950 898,786 89,837	868,903 964,776 95,872	935,424 1,036,847 101,423	1,008,268 1,115,002 106,734	1,087,559 1,199,361 111,802	1,173,324 1,289,943 116,620
4 Oper. Margins (excl G&T + lender CC paid) without Rate Increase	No Building Building difference	642,469 642,469 0	652,880 652,880 0	665,401 590,401 -75,000	680,029 515,029 -165,000	640,768 461,095 -179,673	632,528 440,783 -191,745	536,112 333,266 -202,846	525,764 312,296 -213,468	458,386 234,783 -223,603	374,934 141 -233,240
5 Required Increase in Revenue to maintain 1.5 TIER	No Building Building difference	000	18,817 18,817 0	47,481 159,981 112,500	75,345 322,845 247,500	168,182 437,692 269,510	236,376 523,993 287,617	399,312 703,581 304,269	482,503 802,705 320,202	629,174 964,578 335,405	798,389 1,148,249 349,860
6 Required Increase per Kwh (cents) to maintain 1.5 TIER	No Building Building difference	0.000	0.005	0.011 0.037 0.026	0.017 0.071 0.055	0.036 0.094 0.058	0.049 0.108 0.059	0.080 0.141 0.061	0.092 0.154 0.061	0.117 0.179 0.062	0.144 0.206 0.063
7 Average Revenue per Kwh (cents) to maintain 1.5 TIER	No Building Building difference	6.438 6.438 0.000	6.436 6.436 0.000	6.436 6.462 0.026	6.397 6.451 0.055	6.412 6.470 0.058	6.418 6.477 0.059	6.448 6.509 0.061	6.423 6.484 0.061	6.445 6.507 0.062	6.469 6.532 0.063
8 Percent Increase in Revenue to maintain 1.5 TIER	No Building Building	0.00%	0.07% 0.07%	0.17% 0.58%	0.26% 1.12%	0.56% 1.47%	0.77% 1.70%	1.26% 2.22%	1.46% 2.43%	1.84% 2.83%	2.27% 3.26%
9 Interest on L.T.D.	No Building Building difference	1,380,940 1,380,940 0	1,439,395 1,439,395 0	1,521,764 1,596,764 75,000	1,606,747 1,771,747 165,000	1,713,899 1,893,573 179,673	1,833,807 2,025,552 191,745	1,966,849 2,169,695 202,846	2,112,535 2,326,003 213,468	2,271,118 2,494,721 223,603	2,442,647 2,675 233,240
10 Equity Ratio with rate increase to maintain 1.5 TIER	No Building Building difference	36.63 36.63 0.00	35.70 35.70 0.00	35.65 32.90 -2.75	35.26 32.70 -2.56	34.94 32.57 -2.37	34.69 32.53 -2.16	34.51 32.55 -1.96	34.40 32.62 -1.78	34.36 32.76 -1.60	34.39 32.95 -1.44
11 Debt Service Coverage	No Building Building difference	1.46	1.56 1.56 0.00	1.56 1.56 0.00	1.57 1.57 0.00	1.54 1.52 -0.03	1.53 1.49 -0.05	1.51	1.49 1.46 -0.04	1.48 1.45 -0.03	1.47 1.44 -0.03
12 General Funds Available	No Building Building difference	3,224,503 3,224,503 0	1,470,125 1,470,125 0	2,355,591 2,393,091 37,500	1,673,299 1,793,299 120,000	1,706,713 1,864,155 157,441	1,766,102 1,914,577 148,475	1,814,964 1,961,312 146,348	1,869,584 2,020,010 150,426	1,936,513 2,096,586 160,073	2,011,978 2,186,630 174,651
13 New Guaranteed Loans Required	No Building Building difference	000		2,476,968 8,476,968 6,000,000	3,290,179 3,290,179 0	3,386,959 3,386,959 0	3,461,442 3,461,442 0	3,550,521 3,550,521 0	3,637,897 3,637,897 0	3,717,068 3,717,068 0	3,791,951 3,791,951 0

EXHIBIT B

DETAILED COST ESTIMATION OF THE PROJECT

Headquarters and Service Facility Budget Cost Estimation September 2003

<u>Item</u>	Area Sq. Ft.	Subtotal
Headquarters Office (includes demolition of vacated buildings)	29,300 \$	3,487,765
Service Facility Addition (Warehouse)	2,400	135,600
Service Facility Addition (Covered Loading Dock)	7,600	244,080
Site Development (includes water, sewer improvements)		706,589
Environmental Cleanup, Environmental Studies Geo-Technical and Topographical Surveys		81,900
Furniture and Fixture Allowance		350,000
Architectural and Engineering (A/E) Fees*		597,000
Schematic Construction Contingency		555,632

*A/E Fees Include:

Schematic Design, Design Development, Construction Documents, Bidding, Construction Administration, Architectural, Structural, Mechanical, Electrical, Plumbing, Civil Surveying and Interior/Landscape Design.

Total \$ 6,158,566

EXHIBIT C

DESCRIPTION OF CURRENT FACILITIES TO BE REPLACED

DESCRIPTION OF CURRENT FACILITIES TO BE REPLACED

BACKGROUND

For approximately 10 years, Inter-County Energy has contemplated the feasibility of either the renovation of and/or addition to the current office facility or constructing a new building on an alternate site. There is much concern about the present and future space available in the current facility.

On February 20, 2003, the management staff at Inter-County met with representatives of CDS Engineers, Architects, Planners and Surveyors (CDS) for the purpose of considering a Phase I proposal from CDS to perform a facility feasibility study on the current building. From preliminary conversations prior to this meeting, it was determined that the existing office building is inadequate to meet our current and future needs.

- A facility assessment performed by CDS determined that our current and future office space and support needs areas are approximately 26,500 square feet. Presently, we have approximately 13,000 square feet of office space and support area.
- The original 11,000 square foot corporate office building was constructed in 1951, which included approximately 5,200 square feet of office space and approximately 5,800 square feet of garage, loading ramp, material storage and a maintenance shop.
- In 1966, a 6,000 square foot addition to the original building was completed, which included the auditorium (community room), three offices along with the boardroom and public restrooms.
- In 2000, the 1,800 square foot loading ramp from the original building, was converted to an employee's training and meeting room.
- In 1951, Inter-County employed 35 employees and had a customer base of 7,331. Today, our employment is 60 (a 71% increase) and customer base is nearly 24,000 (a 227% increase).
- The existing 10,000 square foot warehouse is about 12 years old but does meet our current needs. It may be necessary to add onto the warehouse in the near future.
- The current site is approximately 18 acres and is adequate in size.
 However, the property is somewhat landlocked with two access points.
 The current main access is located on Hustonville Road, which is a very busy four-lane highway.

The Phase I proposal was discussed with the staff and after approval at the March 14, 2003 Board Meeting, accepted. The main charge for CDS in that proposal was to:

- Analyze our existing facilities and site
- Create a design program (needs and analysis)
- Schematically study how the existing building can be renovated and how the site can be modified
- Schematically study how a new facility could be put on the site
- Develop a budget cost opinion of both options
- Present the resulting report and recommendations to the Board of Directors

Meetings were scheduled on the dates of March 17th-19th, 2003 for employees and supervisors to provide input into departmental and individual needs of our facility. We felt it was very important to involve the employees in this process. From those interviews, CDS created a space allocation summary, adjacency diagrams and a design program narrative. CDS also performed a basic engineering study of the traffic flow and access to Hustonville Road. The Office and Service Facility Design Program Report was presented to the staff on March 20, 2003. Based on the report, Inter-County currently has approximately 12,000 square feet of usable office facility. The facility study showed that Inter-County's needs are approximately 26,500 for current and future office and support area needs.

The next step was to provide this information to the Board of Directors at the next available meeting and allow some time for management to make a recommendation to the Board.

At a Board of Directors meeting on May 9, 2003, Jim Warner of CDS discussed the Cooperative's facility assessment and presented the following three design options:

• Option #1 is a retrofit of our existing building with major changes. It would include essentially gutting our current building, removing the garage area and constructing a new building addition between our current "usable office space" and connecting to the existing warehouse. This option would really affect the day-to-day operations during construction. Departments would have to be relocated continuously during the process which is just not acceptable. This renovation may also require that we now conform to new building codes, which will add a tremendous cost to our structure through retrofitting. This option does preserve the investment in the warehouse and storage buildings on the property. Customers will also have good knowledge of where we are. Staying in the community is a positive value. (Approx. cost is about \$4.6 million)

- Option #2 will be a totally new one-story office building (approximately 26,000 square feet) located directly behind the existing building. This option would require removing a significant portion of the existing rear portion of the building and would cause the shifting of workers and operations during the process. This option also preserves the investment in the warehouse and storage buildings on the property. Customers will also have good knowledge of where we are. Staying in the community is a positive value. After completion of construction, our current building would be demolished. (Approx. cost is about \$6 million)
- Option #3 will be to purchase approximately 15 acres with the best location available based on price, construct a new building and warehouse, and then market our current property. This option would require the marketing of our existing facility with a limited market, environmental cleanup from old buildings and customers learning the new location. (Approx cost, including land acquisition, is about \$6.04 million, less the sale price of the Hustonville Road property.)

At the June 20, 2003 Board of Directors Meeting, Inter-County Management recommended that we pursue Option #2, which is to construct a new facility on our current property. Even though there are some issues with the access to the property and traffic concerns, it was staff's opinion that it is important to maintain our location identity and commitment to this community. Management also recommends that CDS design a two-story, rather than a one-story, structure in front of the present warehouse. A two-story footprint should allow the construction to not interfere with the present building and day-to-day operations of the Cooperative. The Board approved management to enter into an agreement to begin Phase II of the project which is to have CDS:

- Create detailed schematic floor plans
- Develop the exterior form of the building in elevations and perspective
- Create a schematic site plan
- Develop a detailed budget cost opinion
- Present the resulting design to the Board of Directors

The floor plans, exterior form of the building in elevations and schematic site plan have been delivered to the management of Inter-County for review and revisions. A Special Board of Directors meeting was held August 25, 2003 to review the plans, hear the detailed budget cost opinion and at that time the board, by resolution, voted to proceed with the project to construct a new corporate office facility.

The next steps were to revise our current four-year work plan for the purpose of financing the project and then to submit an application to the Kentucky Public Service Commission for an order issuing a Certificate of Public Convenience and Necessity.

EXHIBIT D

BALANCE SHEET AS OF JULY 31, 2003

Inter-County Energy Cooperative Corporation Balance Sheet as of 7/31/03

	\$24,206,851	\$36,424,613	\$ 1,278,240	\$ 2,945,558	\$ \$ 143,377	\$64,998,639
\$ 904,835 \$ 22,518,501 \$ 150,817 \$ 534,265 \$ 56,722	\$ 16,7	\$12,039,658 \$7,660,913	\$ \$ 1,278,240	\$ \$ 1,598,099 \$ 339,683 \$ 1,007,776	'	11
Liabilities and Other Credits Membersips Patronage Capital Operating Margins - Prior Year SOPPRESSION - Current Year Non-Operating Margins SOPPRESSION - SO	Other Margins & Equities Total Margins & Equities Long-Term Debt - RUS	Long-Term Debt - ROS Economic Development Long-Term Debt - FFB - RUS Guaranteed Long-Term Debt - Other Total Long-Term Debt	Obligations Under Capital Leases Accumulated Operating Provisions Total Other Non-Current Liabilities	Notes Payable Accounts Payable Consumer Deposits Other Current & Accrued Liabilities Total Current & Accrued Liabilities	Regulatory Liabilities Other Deferred Credits	Total Liabilities & Other Credits
) 		\$ 7,594,074		\$ 4,857,262	· ·	\$64,998,639
\$ 64,122,505 \$ 900,402 \$ 65,022,907 \$ (12,475,604)	\$	\$ 16,526 \$ 11,609	\$ 379,377 \$ - \$ 850,000 \$ 576,265	2,		
Assets and Other Debits Total Utility Plant in Service Construction Work in Progress Total Utility Plant Accumulated Provision for Depreciation Net Utility Plant	Non-Utility Plant (Net) Investments in Subsidiary Companies Investment in Assoc. Org Patronage Capital Invest. In Assoc. Org Other - General Funds Invest. In Assoc. Org Other - AppGeneral Eunds	Invest. In Economic Development Projects Other Investments Special Funds Total Other Property & Investments	Cash - General Funds Cash - Construction Funds - Trustee Special Deposits Temporary Investments Notes Receivable - Net	Accounts Receivable - Sales of Energy Accounts Receivable - Other Material & Supplies - Electric Prepayments Other Current & Accrued Assets Total Current & Accrued Assets	Regulatory Assets Other Deferred Debits	Total Assets and Other Debits

EXHIBIT E

STATEMENT OF OPERATIONS FOR 12-MONTH PERIOD OF AUGUST 1, 2002 – JULY 31, 2003

Inter-County Energy Cooperative Corporation

Statement of Operations for 12 months ending 7/31/03

Year-to-Date 8/2002 - 7/2003	\$ 27,139	\$ (16,940,587) \$ (1,517,020) \$ (1,350,651) \$ (1,350,651) \$ (1,389,912) \$ (1,389,912) \$ (22,968,896) \$ (22,968,896) \$ (22,049,128) \$ (22,049,128) \$ (22,049,128) \$ (22,049,128) \$ (22,049,128) \$ (22,049,128) \$ (22,049,128) \$ (23,000) \$ (23,000) \$ (23,000) \$ (32,692) \$ (32,692) \$ (32,692) \$ (32,692) \$ (32,692)	
July 2003	\$ 2,147,936	\$ (130.356) \$ (130.356) \$ (130.356) \$ (161.132) \$ (107.132) \$ (107.132) \$ (107.132) \$ (172.646) \$ (175.888) \$ (175.888) \$ (175.888) \$ (1746) \$ (2,140,308) \$ (2,404) \$ \$ (2,404) \$ \$ (2,404)	
June 2003	\$ 1,818,835	\$ (1179.876) \$ (146.551) \$ (146.551) \$ (116.723) \$ (31,990) \$ (31,990) \$ (31,990) \$ (31,891,497) \$ (175,706) \$ (32,800) \$ (33,800) \$ (34,805) \$ (36,118) \$ (36,118) \$ (36,118)	
May 2003	\$ 1,775,220	\$ (1,040,521) \$ (10,040,521) \$ (10,040,521) \$ (10,040,521) \$ (10,040,521) \$ (10,040,521) \$ (10,040,521) \$ (175,424) \$ (175,424) \$ (175,424) \$ (175,424) \$ (175,424) \$ (2,357) \$ (27,407)	
April 2003	\$ 1,936,338	\$ (117,033) \$ (117,033) \$ (117,033) \$ (17,925) \$ (108,386) \$ (132,843) \$ (1132,843) \$ (172,451) \$ (172,451) \$ (17,451) \$ (17,451) \$ (1,155) \$ (1,1	
March 2003	\$ 2,466,137	\$ (1,452,848) \$ (147,207) \$ (147,207) \$ (147,207) \$ (15,339) \$ (47,529) \$ (171,196) \$ (171,196) \$ (171,1664) \$ (171,664) \$ (171,664) \$ (171,664) \$ (171,664) \$ (171,664) \$ (171,664) \$ (171,664) \$ (172,09,596) \$ (13,240) \$ (13,240) \$ (13,240) \$ (13,240) \$ (13,240) \$ (13,240) \$ (13,240) \$ (13,240) \$ (13,240)	
February 2003	\$ 2,947,994	\$ (1,969,660) \$ (121,227) \$ (148,696) \$ (92,141) \$ (34,280) \$ (37,280) \$ (170,729) \$ (170,	
January 2003	\$ 2,977,939	\$ (2,013,166) \$ (138,646) \$ (138,646) \$ (34,090) \$ (34,315) \$ (133,986) \$ (101,203) \$ (101,203) \$ (2,423) \$ (2,423) \$ (2,760,564) \$ 5 (2,760,564) \$ 5 (394) \$ 5 (394)	
December 2002	\$ 2,887,705	\$ (141,895) \$ (141,895) \$ (105,119) \$ (235,561) \$ (2,529) \$ (124,202) \$ (124,202) \$ (126,337) \$ (169,337) \$ (104,238) \$ (104,238) \$ (104,238) \$ (104,238) \$ (1,567,562) \$ (2,552,590) \$ (5,662) \$ (5,662) \$ (5,662) \$ (5,662) \$ (5,662) \$ (5,662) \$ (1,570,891) \$ (1,570,891) \$ (1,570,891) \$ (1,570,891) \$ (1,570,891) \$ (1,570,891) \$ (1,570,891)	
November 2002	\$ 2,110,813	\$ (10,273) \$ (102,273) \$ (102,273) \$ (102,837) \$ (44,197) \$ (14,197) \$ (168,350) \$ (100,047) \$ (10,047) \$ (10,350) \$ (2,144,250) \$ (33,437) \$ (33,437) \$ (31,330)	
October 2002	\$ 1,749,896	\$ (13,084,321) \$ (131,868) \$ (139,956) \$ (33,720) \$ (37,507) \$ (106,590) \$ (106,590) \$ (104,647) \$ (104,647) \$ (104,647) \$ (1,688,957) \$ (1,968,957) \$ (1,968,957) \$ (19,061) \$ (1,968,957) \$ (1,968,957) \$ (1,968,957) \$ (1,968,957) \$ (1,968,957) \$ (1,968,957) \$ (1,968,957) \$ (1,968,957) \$ (1,968,957)	
September 2002	\$ 2,113,959	\$ (102,110) \$ (148,527) \$ (102,110) \$ (148,527) \$ (102,110) \$ (170,118) \$ (17,704,619) \$ (110,240) \$ (
August 2002	\$ 2,206,752	\$ \$(1,421,385) \$ \$(114,713) \$ \$(114,713) \$ \$(114,713) \$ \$(114,713) \$ \$(17,858) \$ \$(77,858) \$ \$(77,858) \$ \$(77,858) \$ \$(17,902,696) \$ \$(104,100) \$ \$(15,560) \$ \$(104,100) \$ \$(12,714,164) \$ \$32,588 \$ \$32,588 \$ \$32,588 \$ \$32,588 \$ \$32,588 \$ \$34,269 \$ \$	
	Operating Revenue and Patronage Capital	Power Production Expense Cost of Purchased Power Transmission Expense Distribution Expense - Operation Distribution Expense - Operation Distribution Expense - Maintenance Customer Accounts Expense Customer Accounts Expense Sales Expense Administrative and General Expense TOTAL OPERATION & MAINTENANCE EXPENSE Depreciation & Amortization Expense Tax Expense - Other Interest Charged to Construction - Credit Interest on Long-Tem Debt Interest Charged to Construction - Credit Other Deductions - Other Generation & Transmission - Other Generation & Transmission Capital Credits Other Capital Credits & Patronage Dividends Extraordinary Items	

EXHIBIT F

NOTES OUTSTANDING AS OF JULY 31, 2003

Inter-County Energy Cooperative Corporation

RUS Loans as of 7/31/03

Loan <u>Number</u>	<u>Date</u>	Interest <u>Rate</u>	Original Amount		Balance
4400	0/5/00	0.000		_	
4190	3/5/69	2.000	\$ 845,000	\$	25,985
4200	9/25/70	2.000	\$ 504,000	\$	46,512
B210	1/29/72	2.000	\$ 168,000	\$	23,898
B212	1/29/72	2.000	\$ 166,000	\$	23,613
B220	6/24/72	2.000	\$ 224,500	\$	36,353
B222	6/24/72	2.000	\$ 224,500	\$ \$ \$ \$ \$	36,353
B230	9/12/73	5.000	\$ 328,500	\$	94,670
B232	9/12/73	5.000	\$ 328,500	\$	94,670
B240	7/23/74	5.000	\$ 197,000	\$	63,854
B242	7/23/74	5.000	\$ 197,000	\$	63,854
B250	3/28/75	5.000	\$ 196,000	\$	70,281
B252	3/28/75	5.000	\$ 196,000	\$	70,281
B260	1/21/76	5.000	\$ 306,000	\$	119,594
B262	1/21/76	5.000	\$ 306,000	\$	119,594
B270	9/16/76	5.000	\$ 305,000	\$	128,824
B272	9/16/76	5.000	\$ 305,000	\$	128,824
B280	8/4/77	5.000	\$ 308,500	\$	139,729
B282	8/4/77	5.000	\$ 308,500	\$	139,729
B290	5/22/78	5.000	\$ 308,500	\$	148,962
B292	5/22/78	5.000	\$ 308,500	\$	148,962
B300	5/26/79	5.000	\$ 1,121,500	\$	583,565
B302	5/26/79	5.000	\$ 1,121,500	\$	583,575
B310	1/14/82	5.000	\$ 809,500	\$	495,927
B312	1/14/82	5.000	\$ 809,500	\$	495,927
B320	3/27/85	5.000	\$ 668,000	\$	464,040
B323	3/27/85	5.000	\$ 668,000	\$	476,642
B330	5/25/88	5.000	\$ 1,015,000	\$	786,078
B333	5/25/88	5.000	\$ 1,015,000	\$	807,017
B340	8/19/91	5.000	\$ 1,370,000	\$	1,156,440
B341	8/19/91	5.000	\$ 500	\$	433
B343	8/19/91	5.000	\$ 1,370,500	\$	1,187,530
B350	11/12/93	5.000	\$ 1,656,000	\$	131,398
B356	11/12/93	5.000	\$ 1,656,000	\$	1,506,024
A360	3/2/98	5.000	\$ 2,637,500	\$	2,526,041
A365	3/2/98	5.000	\$ 2,637,500	\$	2,465,673
FFB0010	9/1/99	0.871	\$ 1,500,000	\$	1,431,446
FFB0015	9/1/99	0.871	\$ 2,000,000	\$	1,908,595
FFB0020	9/1/99	0.871	\$ 2,607,000	\$	2,487,854
FFB0025	9/1/99	0.871	\$ 221,000	\$	211,761
FFB0030	8/8/02	0.871	\$ 4,000,000	\$	4,000,000
FFB0035	12/2/03	0.871	\$ 2,000,000	\$	2,000,000
			*		

\$ 27,430,508

Inter-County Energy Cooperative Corporation

CFC Notes as of 7/31/03

Loan <u>Number</u>	<u>Date</u>	Interest <u>Rate</u>	Original Amount	Balance
9001	3/31/72	7.00	\$ 37,000	\$ 9,317
9002	7/31/72	7.00	\$ 112,000	\$ 31,429
9004	4/17/73	7.00	\$ 281,000	\$ 94,413
9007	7/23/74	7.00	\$ 169,000	\$ 63,334
9008	5/5/75	3.35	\$ 168,000	\$ 62,060
9010	5/20/76	3.35	\$ 262,000	\$ 119,902
9012	10/31/76	3.35	\$ 262,000	\$ 126,618
9014	11/15/77	3.35	\$ 265,000	\$ 139,722
9016	8/3/78	3.35	\$ 264,000	\$ 151,787
9017	12/31/79	3.35	\$ 1,012,000	\$ 575,181
9021	1/10/84	3.35	\$ 730,000	\$ 483,222
9022	5/5/86	3.35	\$ 590,722	\$ 456,444
9023	2/2/88	3.35	\$ 896,907	\$ 691,101
9024	9/24/91	3.35	\$ 1,210,309	\$ 1,020,153
9025	11/12/93	3.35	\$ 1,420,000	\$ 1,309,881
9026	3/2/98	3.35	\$ 2,261,000	\$ 2,174,672
				\$ 7,509,236

EXHIBIT G

ESTIMATED COST OF MAINTENANCE AND OPERATION OF THE PROPOSED FACILITY AND CURRENT COST OF MAINTENANCE AND OPERATION OF EXISTING FACILITIES

Inter-County Energy Cooperative Corporation

Estimated Annual Operating Costs for New Facilities

Basis of Estimate	Estimated life of 50 years; Straight line depreciation	Based on actual insurance rates presently in effect	Based on actual property tax rates presently in effect	Based on geothermal operating costs per square f oot in a similar size/type/operation facility	Estimated based on current usage rates	Estimated based on current costs, plus additional due to size increase of facility and	some savings from less maintenance on new facilities
Estimated Annual Cost	100,000	16,775	34,200	12,242	1,000	29,000	193,217
Es	↔	⇔	⇔	⇔	⇔	8	⇔
Operations Cost	Depreciation	Insurance	Property Taxes	Electric Utilities	Water Utilities	General Maintenance	Total Annual Estimated Cost

Inter-County Energy Cooperative Corporation Annual Operating Costs for Current Facilities

Operations Cost	2002	2002 Annual Cost
Depreciation	↔	23,600
Insurance	↔	4,184
Property Taxes	↔	5,122
Electric Utilities	↔	10,107
Water Utilities	↔	066
General Maintenance	€	33,781
Total Annual Estimated Cost	ક	77,784

EXHIBIT H

PROJECT DESCRIPTION, FLOOR DIAGRAM, ELEVATION DIAGRAMS AND SITE PLAN

DESCRIPTION OF THE INTER-COUNTY ENERGY HEADQUARTERS OFFICE AND SERVICE FACILITIES

The new facilities for Inter-County Energy Cooperative are being located on an existing 18.4 acre piece of property, which Inter-County currently owns and from which it operates, located at 1009 Hustonville Road, Danville, Kentucky. There are four existing structures located on the property: the Headquarters Office, a small old Warehouse, a relatively new Warehouse/Service Facility and an existing Pole Barn. The land area impacted by the design will be approximately 9 acres, depending on the final grading and paving design. The project will be phased as follows:

- Phase1: Demolish the rear portion of the existing Headquarters Office and the old Warehouse.
- Phase 2: Construct the new Headquarters Office adjacent to the existing Warehouse/Service Facility, while fully maintaining the existing office and service operations.
- Phase 3: Construct the Warehouse/Service Facility addition.
- Phase 4: Take occupancy of the new Headquarters Office, demolish the existing Headquarters Office and complete the site improvements.

The project is being designed to blend in with historic Danville and utilize resource and energy conserving materials, systems and technologies.

The new facility building areas are:

- Two-story Headquarters Office First Story 19,800 SF & Second Story 9,500 SF for a subtotal of 29.300 SF
- Renovated Warehouse/Service Facility Existing Warehouse 9,600 SF, Warehouse Addition 2,400 SF, and a Covered Storage and Loading Dock 7,600 SF for a subtotal of 19,600 SF.

The Headquarters Office building construction is as follows:

- Walls are constructed with brick veneer, ground-face and textured concrete block and cast stone accents over metal studs and gypsum drywall
- Floors are concrete slabs on-grade.
- The roof for the one-story portion of the office is a membrane over rigid insulation on metal deck, sloped from a ridge in the middle toward the exterior parapet walls. The second-story roof is a factory-finished standing-seam metal roof.
- The structure is a conventionally-framed steel frame with roof construction being framed with steel beams, joists and joist-girders.
- The interior walls are made of metal studs with gypsum drywall.

 Ceilings are mainly suspended acoustical tile systems with some gypsum drywall bulkheads and soffits.

The Warehouse/Service Facility building construction will be as follows:

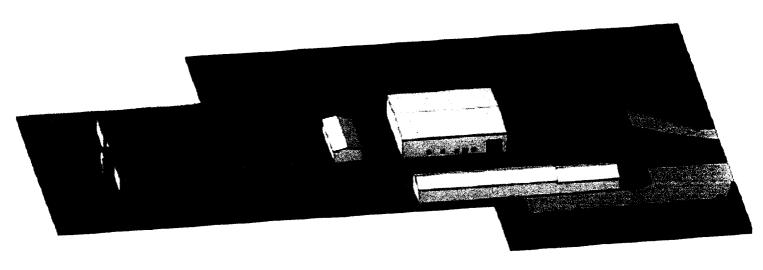
- Foundations are concrete spread footings, with the exception of concrete retaining walls at the covered loading area.
- Exterior walls are factory-finished metal siding applied over steel girts, and insulated with vinyl-faced fiberglass.
- Floors are concrete slabs on-grade.
- Roofs are factory-finished standing-seam metal panel system, insulated with vinyl-faced fiberglass for the interior exposure.
- The structure is a pre-engineered steel frame.
- The interior walls are a mix of metal studs with gypsum drywall or painted concrete masonry units.
- Ceilings in the existing warehouse areas impacted by renovation are suspended acoustical tile. There are no ceilings in the warehouse area.

Construction common to both facilities:

- Heating, ventilation and air-conditioning for the office will be provided by a geothermal heat pump system. Gas-fired unit heaters serve the warehouse.
- Domestic water will be provided from the local water utility, served from a main in the street.
- The sanitary sewer system is served by the local utility, served from a main in the street.
- Limited storm-water retention may be provided, if needed.
- Both facilities are fully-sprinkled. Fire suppression water will be provided from the local water utility via a main in the street.
- Electrical power is supplied by Inter-County Energy. The service will be three-phase 480 volt. A backup emergency generator will supply emergency power to critical operations and emergency lighting.

At this time, it has not been determined whether a radio-transmission tower on-site is necessary for dispatch activities or communication with the Lebanon branch office. Alternatives are being explored in lieu of a tower.

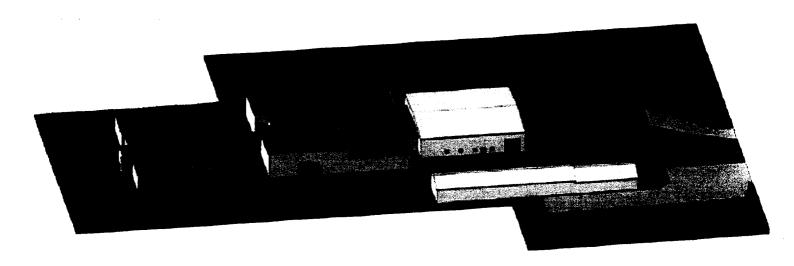
PHASE 1



Existing Buildings



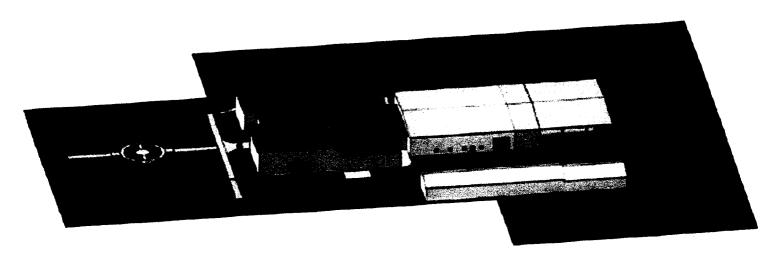
COS Associator, Inc.



Demolish Bear of Office & Build New Office



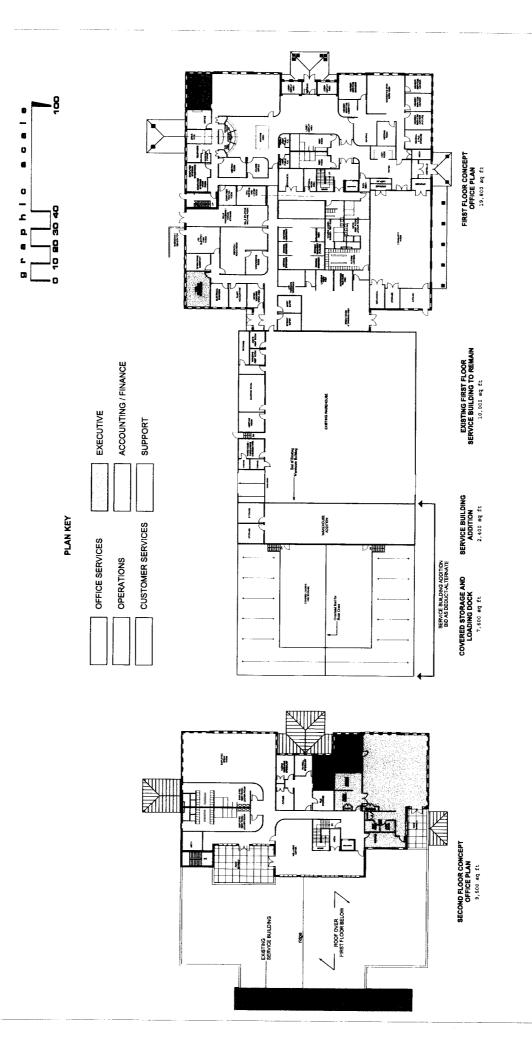
COS Accordatos, Inc.



Existing Office Demolished & Warehouse Addition Build



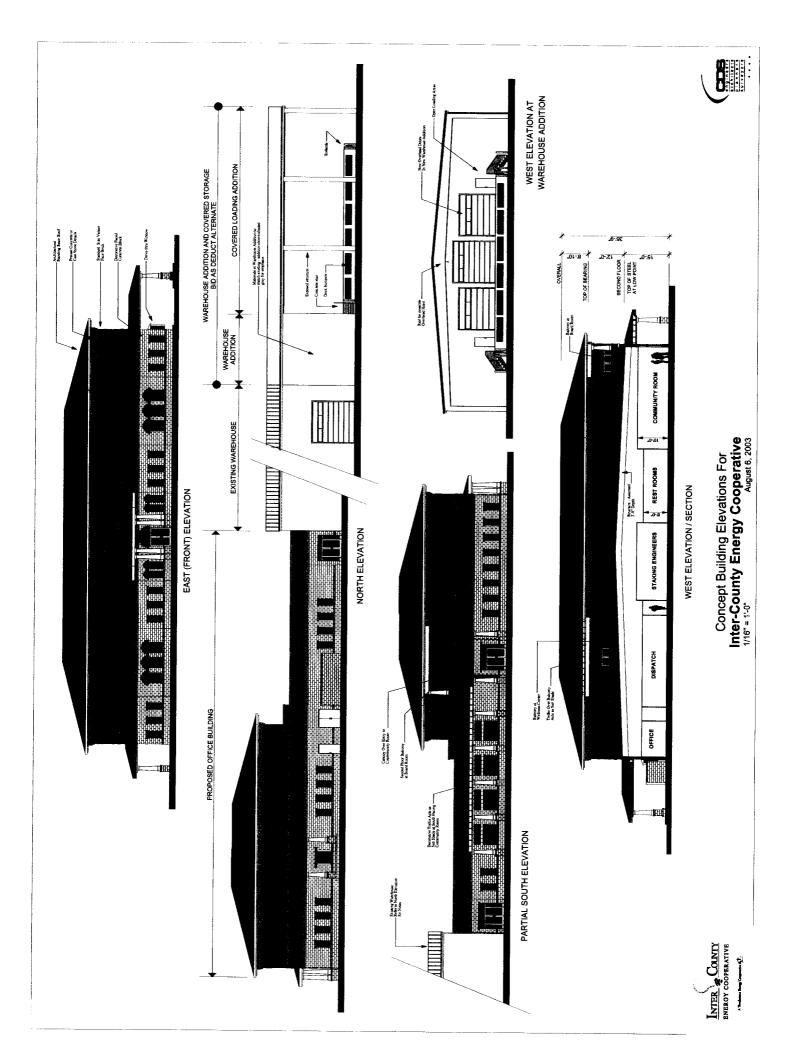
COS Associatos, Inc

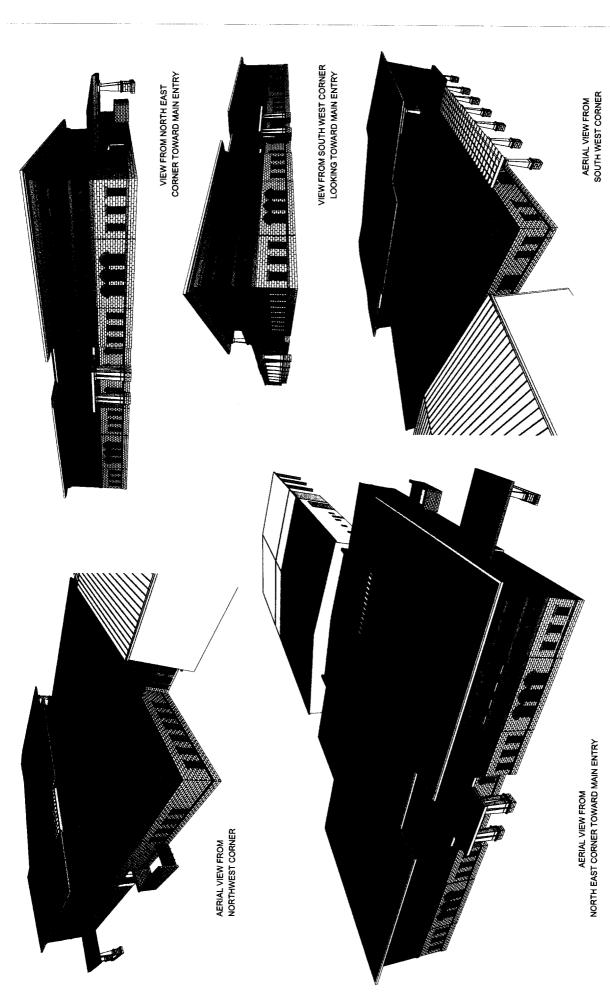




Final Schematic Floor Plans For Inter-County Energy Cooperative 1/16" = 1-0"

INTER & COUNTY ENERGY COOPERATIVE A Burdenton Beage Cooperates K.D.

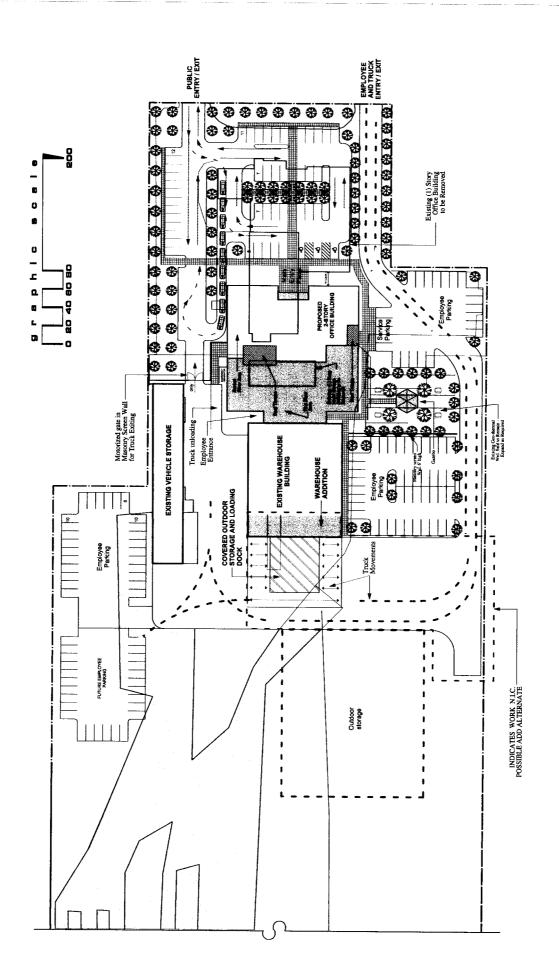






Exterior Views of Proposed Headquarters for Inter-County Energy Cooperative 1/16" = 11:0" August 6, 2003

INTER COUNTY
BUBROY COOPBRATIVE





Revised Schematic Site Plan For Inter-County Energy Cooperative 1" = 30'-0" August 1, 2003



EXHIBIT I

INTER-COUNTY ENERGY COOPERATIVE ARTICLES OF INCORPORATION AND BYLAWS AS AMENDED THROUGH MAY 21, 2001